

**MINUTES OF REGULAR MEETING
OPEN SESSION
October 5 and 6, 2009
ILLINOIS GAMING BOARD
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Monday, October 5, 2009 a Regular Meeting of the Illinois Gaming Board ("Board") was held on the 3rd floor at 160 N. LaSalle, Chicago, Illinois.

On Monday October 5, 2009 at approximately 9:30 a.m. the following Board Members were present: Chairman Jaffe, Members Charles Gardner, Eugene Winkler, Joseph Moore and Jim Sullivan. At 9:50 a.m. on Monday October 5, 2009, Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

1. **Personnel matters;**
2. **Pending Litigation and matters involving probable litigation;**
3. **Investigations concerning applicants and licensees; and**
4. **Closed session minutes.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote. The Board recessed at 12:32 p.m.

On Tuesday, October 6, 2009 the meeting reconvened at 11:30 a.m. Present were the following Board Members: Chairman Aaron Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

The Board remained in Closed Session until approximately 12:00 p.m. The Board recessed and then went into open session at 1:05 p.m. All members were present.

APPROVAL OF MINUTES

Member Moore moved **that the Board approve the closed session minutes of its Regular Meeting of September 14 & 15, 2009.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

Member Moore moved **that the Board approve the open session minutes of its Regular Meeting of September 15, 2009.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

BOARD POLICY ITEMS –

- Rule 3000.220 – Withdrawal of Applications – Second Notice Filing & Adoption Upon Approval from JCAR

Member Sullivan moved **to authorize staff to submit the proposed amendment to Rule 3000.220 of the Adopted Rules for second notice filing with the Joint Committee on Administrative Rules.**

Further, Member Sullivan **moved to authorize the final adoption and publishing of Rule 3000.220 as amended, provided no material changes are made to this section during the second notice process. Member Gardner seconded the motion.** The Board approved the motion unanimously by roll call vote.

- Rule 3000.660 – EGD Tournament Programs – Second Notice Filing & Adoption Upon Approval from JCAR

Member Sullivan moved **to authorize staff to submit the proposed amendment to Rule 3000.660 of the Adopted Rules for second notice filing with the Joint Committee on Administrative Rules.**

Further, Member Sullivan moved **to authorize the final adoption and publishing of Rule 3000.660 as amended, provided no material changes are made to this section during the second notice process. Member Winkler seconded the motion.** The Board approved the motion unanimously by roll call vote.

BOARD MEMBERS' COMMENTS –

Member Winkler commented on the Alton Belle's annual report specifically on the reduction of funds given for charitable causes. Mr. Sinnopoli addressed the Board and stated that the Alton Belle was not pleased with its reduction in charitable giving. He went on to state that the Alton Belle is committed to the community and there will be a change in the numbers.

ADMINISTRATOR'S COMMENTS – no motion

Administrator Ostrowski announce that an RFP was issued for an independent test lab for video gaming on October 1, 2009.

PUBLIC COMMENTARY –

- Todd Cravens, Betson Midwest

Mr. Cravens addressed the Board and explained his role as distributor of video gaming machines and how the Video Poker legislation will affect his business and the other distributors in the area. He went on to explain how the distributors can act as an "extra pair of eyes" in the industry as far

as the location of the machines in the establishments. He went on to explain that as a distributor he focuses on getting the best product available to his customers. He is a service provider. There are two major distributors that serve the Chicagoland area. The companies have long standing relationships with the customers. Mr. Cravens went on to state that they have a show room showing new and used products, a fully stocked service facility, and are fully stocked with parts. There is a relationship with the customers.

Member Gardner asked how many companies distribute in the Illinois area. Mr. Cravens stated that four companies distribute in the Illinois market and two major companies are located in the Chicago land area.

Member Winkler asked if the company works with the manufacturers. Mr. Cravens stated his company sells to the operator. Member Winkler asked how the Video poker bill will affect the distributors. Mr. Cravens went on to explain that if you are a small operator you have to make a serious decision whether it's worth the time and money to be an operator now.

Member Gardner asked why the distributor doesn't sell straight to the taverns. Mr. Cravens went on to explain that the operator is a service provider to locations. There are about 250 amusement operators in the State of Illinois. As distributors we have to make sure that we have the customers' best interests at heart. This is a very close knit business venture for the distributor and their clients.

10th LICENSE UPDATE –

Neil Bluhm addressed the Board and introduced Greg Carlin who is the CEO of Midwest Gaming and Entertainment. He presented the following outline for the project.

The **presentation** is outlined as follows:

1. Development/Design Update
 - A. Key Consultant Overview
 - B. Development Plan
2. Financing Update
 - A. Equity
 - B. Debt
3. Current Timeline
4. Proposed Corporate Structure

Mr. Carlin advised that the following individuals and entities would be working on the project:

1. Architect – KLAI JUBA
2. Interior Design – CLEO Design
3. Development Manager – Development Management Associates LLC
4. Gaming Operations – David Patent
5. Midwest has engaged other consultants, including a civil engineering consultant and a traffic consultant to assist in development.

KLAI JUBA initiated the presentation and shared detailed drawings of the proposed casino, parking areas, and entrance/exit paths to the location off of Devon and Touhy.

Equity Financing Process -

Bluhm Investment Group and Clairvest have entered into a definitive agreement. Clairvest is a Canadian private equity firm with a 22 year history and \$660M of equity under management. Clairvest has been involved with seven casino developments since 2001, registered and approved in 4 jurisdictions.

The two groups have committed to a combined \$184M of cash and contributed equity capital. Total equity, with anticipated statutory investment will be \$230M. \$25M of additional equity is being allocated as contingency. \$25M of additional equity is committed to be invested if necessary and allocated pro rata among Bluhm, Clairvest and statutory investors.

Debt Financing Process –

Midwest is well positioned to raise debt.

The debt financing market has recovered to a degree although new developments are still challenging.

Affiliates of Midwest have financed three Greenfield casino projects in the last two years including the only two to be done since the summer of 2008.

Clairvest adds substantial credibility in the financing markets and brings longstanding and complimentary relationships with lending institutions. Midwest is hopeful to be in position to advance ongoing discussions with potential lenders toward a closing in early 2010.

Pending suitability an accelerated process is underway to start construction in March, 2010.

Proposed Corporate Structure –

The equity investment will be into a holding company that is 100% indirect owner of Midwest Gaming & Entertainment.

The intermediate holding company will be formed to facilitate financing.

High Plains (Bluhm) – 40%

Clairvest Group – 40%

Statutory Investors – 20%

John Klai addressed the Board and staff; he is the architect on the project and is registered in the State of Illinois. A brief overview was given on the progress of the development. The firm specializes in the gaming industry. The location on the site map was given as an overview of the casino. The traffic patterns were studied to ease the construction of the site. Secondary entrances will also be accessible to the casino. The parking garage will have multiple entrances.

Joe Moore asked if River Road will be expanded per the Village. IDOT had planned to expand River Road for the last few years. IDOT is very receptive to hopefully starting the project before the opening of the casino. The developer is in continuous discussions with IDOT. Multiple turn lanes are also being explored.

Member Winkler asked if he was correct in assuming that the project managers will work with IDOT to expand and improve River Road prior to the casino opening, and the reply was affirmative.

Member Gardner asked if the plans will progress without waiting on IDOT. The project manager said that they will go ahead with the project in hopes that IDOT will work along with them.

Member Moore asked if I294 will be accessible from Devon. Greg Carlin stated that Touhy would be the entrance to I294.

The casino will be sitting on a moat and there will be approximately 1500 parking spaces in the garage with the capability for future expansion.

Member Gardner asked if all the land will be owned by the developer at the time of the construction and the answer was affirmative, except for the southwest corner. Member Gardner asked if the parcel of land still allows for entrance and exit at both Devon and River Road, and again the answer was affirmative.

Member Gardner asked if the hotel tower will be a long way from the casino and Mr. Carlin stated that the hotel will be connected to the parking garage. The hotel will be erected in the second phase of the casino construction.

The casino structure will be a single story with an architecture of stone and metals.

Mr. Bluhm gave an overview of the financing; the agreements were executed as of the morning of the 6th of October with Clairvest. Clairvest is a Canadian private equity firm with a 22 year history and extensive experience in the casino business. The structure of the transaction is as

follows: Clairvest and Midwest Gaming \$92M each of cash and contributed equity capital, statutory investors putting up \$46M with a total of \$230M.

40% - Clairvest

40% - Midwest Gaming

20% - Statutory Investors

A prorated share of an additional \$25M in case more equity is needed to complete financing will be divided amongst Midwest, Clairvest and the minority investors. The funds will be divided \$10M from Clairvest, \$10M from Midwest Gaming and \$5M from statutory investors. All information for the application process is being forwarded to the Gaming Board.

Total cost of the project will be \$530M including the contributed equity.

Mr. Bluhm went on to explain about the debt market. The debt market has been particularly tough. Major banks have too much on their balance sheets. Banks are not willing to invest all in one project. No one bank will invest in a project. A lead investment bank takes the reins and the end result can have 15 different banks that will finance the transaction.

Member Gardner asked what the equity amount was in the Philadelphia project and Mr. Bluhm replied \$160M in equity, down to \$140M. The loan was just over \$200M including the equipment financing. Member Gardner asked how many gaming positions. Mr. Bluhm replied 1700 gaming positions.

Timeline: Construction by the beginning of March, 2010. Permits from the City of Des Plaines for the project to start. Once construction is started the total time would be 3 months of site work and 13 months of hard construction, opening in 16 months. In early January 2010 the debt financing should be complete.

Chairman Jaffe asked if the ground breaking would be in March, 2010 and Mr. Bluhm replied yes.

Member Gardner stated if the following takes place: financing, GMP, land acquisition and the Board's approval then will the ground breaking take place sooner? Mr. Bluhm stated that the financing won't be complete until after the first of the year, 2010. So the ground breaking cannot take place until after the financing is complete.

Member Gardner asked if the applications for the statutory investors will be made available this month and Bluhm replied yes. A private offering memo to the statutory investors must also be supplied. All funds will go into escrow for the statutory investors until all financing is complete and the deal is closed.

OWNER LICENSEE ITEMS -

Item for Initial Consideration

- MGM – MGM Mirage’s request to allow Nevada Landing Partnership (NLP) as a Subsidiary Guarantor on Certain Debt

Paul Jenson appeared before the Board and indicated that MGM would be requesting to allow NLP to be a subsidiary guarantor on certain debt. Materials were being forwarded to IGB staff.

- Harrah’s Entertainment, Inc. (HOC) - Waiver of the Two-Meeting Rule and Request to Approve Proposed Financing Transaction

Michel Cohen Vice President and Associate General Counsel for Harrah’s Entertainment addressed the Board. Initial consideration of the financing transaction, waiver of the two-meeting rule and the ultimate approval of the financing transaction was requested.

Chairman Jaffe stated that the Board may waive any licensing requirement or procedure provided by Board rule if it determines that such waiver is in the best interests of the public and the Gaming industry.

Mr. Cohen explained that this is in the best interest to the public and the gaming industry. The economy is worse than or just as bad as it was during the great depression. Financial markets have gotten better but are still struggling. There is a large appetite for gaming debt. Harrah’s saw this as an opportunity for term loan financing. New Jersey and Louisiana are approving the transaction. October 15, 2009 is the long term closing date of the transaction. Member Gardner asked is this the 18th day of the transaction for the 18 day closing date. Mr. Cohen answered that is correct. With refinancing we will pay off our debt, the rest will be used to repay the credit facility which will increase our equity. Mr. Cohen further explained the necessity for the financing transaction.

Member Gardner stated that the purpose of the two-meeting rule provides openness, transparency and clarity and gives the staff and Board time to consider what is requested. We don’t want any waiver to be considered a precedent.

Pursuant to Section 3000.260 of the Board’s Adopted Rules Member Gardner moved **to waive the two-meeting rule required by Section 3000.105(e) of the Rules to permit Harrah’s Entertainment, Inc. to present its request for approval of a Proposed Financing Transaction. Member Moore seconded the motion.** Member Sullivan and Chairman Jaffe were in favor of the motion. Member Winkler opposed the motion. The motion passed 4 to 1.

The Chairman stated that it must be known that the Board will not allow a request to waive the two-meeting rule without sufficient reason. Members Moore and Sullivan echoed those statements.

Items for Final Action –

- Harrah's Entertainment, Inc. - Request to Approve Proposed Financing Transaction

Based on staff's investigation and recommendation and pursuant to section 230(d) of the Adopted Rules **Member Gardner moved to approve Harrah's Entertainment, Inc.'s Proposed Financing Transaction in which Harrah's Entertainment, Inc. is seeking \$1.0 billion of new term loans to be issued pursuant to an incremental amendment within the previously approved senior secured credit facility dated January 28, 2008. Member Sullivan seconded the motion.** The Board approved the motion unanimously by roll call vote.

- Empress Casino Joliet – Approval of Pavilion Reconstruction

Joseph McBride, Assistant General Manager of the Empress Casino, addressed the Board. Mr. McBride introduced Jon Johnson the new General Manager of the Empress Casino to the Board and staff.

Mr. McBride narrated a power point presentation, the subject being the progress of the construction referencing the building exterior, upper level floor plan, lower level floor plan, interior rendering, Grantville Steakhouse, and the sports bar.

Member Moore asked about the estimated time of completion and Mr. McBride stated that the target date is December 31, 2010.

Member Moore asked that the new General Manager approach the podium and give a brief synopsis of his experience and background. Mr. Johnson stated that he has been in the gaming industry for 35 years. He worked in major markets across the United States. He was the General Manager at the Penn property in Maine. Before that he was in Tunica, Mississippi. He has been with Penn since 2003. His background is in finance.

Based on staff's investigation and recommendation, **Member Winkler moved to approve Empress Casino's approximate \$65M Pavilion Reconstruction plan. Member Sullivan seconded the motion.** The Board approved the motion unanimously by roll call vote.

- Alton Belle Casino – Craig Robinson - Director of Finance – Level One

Based on staff's investigation and recommendation, **Member Winkler moved that the Board approve Craig Robinson as an Occupational Licensee Level 1 in the position of Director of Finance at Alton Belle Casino in Alton, Illinois. Member Sullivan seconded the motion.** The Board approved the motion unanimously by roll call vote.

SUPPLIER LICENSEE ITEMS –

Mr. Lloyd Levinson addressed the Board for Ainsworth Game Technology Ltd.

- Ainsworth Game Technology Ltd. – New Supplier

Based on a review of staff's investigation and recommendation, **Member Moore moved that the Board approve Ainsworth Game Technology Ltd. (AGT) for a supplier's license, effective October 6, 2009 for a period of one year, expiring in October, 2010.**

Member Moore further moved that Ainsworth Game Technology Ltd. (AGT) be authorized and approved to manufacture and sell electronic gaming devices to licensed riverboat casinos in the State of Illinois, pursuant to the requirements of the IGB as listed in the Adopted Rules.

Further, based on staff's recommendation, **Member Moore moved to designate the following positions, persons and entities as Key Persons of the licensee:**

- 1. Chairman;**
- 2. Leonard H. Ainsworth;**
- 3. Chief Executive Officer, and**
- 4. Daniel E. Gladstone.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Shuffle Master, Inc. – Timothy Parrott, President & CEO – Key Person

Based on a review of staff's investigation and recommendation, **Member Sullivan moved that the Board approve Timothy Parrott as a Key Person for Shuffle Master, Inc. in his position as President and CEO. Member Gardner seconded the motion.** The Board approved the motion unanimously by roll call vote.

- Gaming Partners International USA, Inc. – Gregory Gronau, COO – Key Person

Based on a review of staff's investigation and recommendation, **Member Gardner moved that the Board approve Gregory Gronau as a Key Person for Gaming Partners International USA, Inc., in his position as COO. Member Moore seconded the motion.** The Board approved the motion unanimously by roll call vote.

OCCUPATIONAL LICENSES APPROVALS & DENIALS – LEVEL 2'S & 3'S

- Based on staff's investigation and recommendation, **Member Winkler moved that the Board approve 17 applications for an Occupational License, Level 2, and 60 applications for an Occupational License, Level 3.**

Further, **Member Winkler moved that the Board direct the Administrator to issue a Notice of Denial to the following individual who received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut the recommendation.**

- 1. Brian Gregory Scott.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

PROPOSED COMPLAINTS AND DISCIPLINARY ACTIONS -

- Rose M. Meline – Occupational Licensee

Based on staff's investigation and recommendation, **Member Moore moved that the Board issue a Disciplinary Complaint against Rose M. Meline, an occupational licensee, for her involvement in having her spouse cash in a found TITO ticket.**

Further, **Member Moore moved that the Board revoke Rose M. Meline's occupational license. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period. Member Sullivan seconded the motion.** The Board approved the motion unanimously by roll call vote.

- William B. Mize – Occupational Licensee

Based on staff's investigation and recommendation, **Member Sullivan moved that the Board issue a Disciplinary Complaint against William B. Mize, an occupational licensee, for conduct surrounding an improperly issued marker for \$10,000 on August 25, 2008.**

Further, **Member Sullivan moved that the Board revoke William B. Mize's occupational license. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period. Member Winkler seconded the motion.** The Board approved the motion unanimously by roll call vote.

ADMINISTRATIVE HEARINGS/ALJ REPORTS -

- Request for Hearing – Thomas Kowalski

Based on the review of staff's investigation and recommendation, **Member Gardner moved that Thomas Kowalski's request for a hearing be denied due to the fact that he has offered no facts that establish a prima facie case. Member Moore seconded the motion.** The Board approved the motion unanimously by roll call vote.

At 2:35 p.m. Member Winkler motioned to adjourn and Member Gardner seconded the motion. All Members voted in favor of adjournment.

Respectfully submitted,

Mary C. Boruta
Secretary to the Administrator